

Message Text

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PASS AGRICULTURE

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TAGS: EAGR UK EC
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SUBJECT: UK AGRICULTURE MINISTER REPORTS TO COMMONS ON
OUTCOME OF MAY 8-12 BRUSSELS COUNCIL OF AGRICULTURE
MINISTERS' MEETING: MOST UK REACTION IS VERY FAVOURABLE

BEGIN SUMMARY: UK MINISTER OF AGRICULTURE JOHN SILKIN
REPORTED TO HOUSE OF COMMONS ON MAY 12 ON RESULTS OF EC
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COUNCIL OF AGRICULTURE MINISTERS' MEETING EARLIER THAT
DAY AND EXPLAINED IMPACT ON UK. WARMEST WELCOME FROM ALL
SIDES HAS BEEN GIVEN TO VIRTUAL UNCONDITIONAL AGREEMENT
ON FUTURE OF UK'S MILK BOARDS. BY AND LARGE, SMALLNESS
OF OVERALL EC FARM PRICE INCREASES IS ALSO SEEN AS
VICTORY FOR UK VIEWPOINT. THERE IS SOME DISAPPOINTMENT
THAT BIGGER CUT IN PIGMEAT MCA'S WAS NOT POSSIBLE. END

SUMMARY.

1. FOLLOWING 2.30 A.M. ENDING OF EC COUNCIL OF AGRICULTURE MINISTERS 1978-79 FARM PRICE REVIEW, UK MINISTER OF AGRICULTURE JOHN SILKIN REPORTED TO THE COMMONS ON THE RESULTS AS THEY AFFECT UK AT 11.00 THE SAME MORNING. COMMENTING ON THE OVERALL PRICE INCREASE OF 2.25 PERCENT, SILKIN SAID IT WAS THE SMALLEST SINCE THE UK'S ACCESSION AND IT REPRESENTED A FURTHER REDUCTION OF CAP PRICES IN REAL TERMS.

2. NEWS OF THE PERMANENT SAFEGUARDING OF THE UK'S MILK MARKETING BOARDS HAD ALREADY COME THROUGH EARLIER. IN EXPLAINING THIS TO THE COMMONS, SILKIN ALSO COMMENTED THAT THE REDUCTION IN THE CO-RESPONSIBILITY LEVY FROM 1.5 PERCENT TO 0.5 PERCENT WILL NOT AFFECT CONSUMER PRICES. HE EXPLAINED HOW THE CONTINUATION OF THE 100 PERCENT COMMUNITY FINANCED BUTTER SUBSIDY TO MARCH 31, 1979 AND THE SLOWING DOWN IN THE RATE OF DECREASE IN THE SUBSIDY WILL BE WORTH 26 MILLION POUNDS NET TO THE UK.

3. THE DECISION TO REDUCE PIGMEAT MCA'S BY 8 PERCENT WILL, TOGETHER WITH THE REMAINING 2.5 PERCENT GREEN POUND DEVALUATION AGREED IN FEBRUARY, RESULT IN AN OVERALL 16 PERCENT CUT IN THESE MCA'S. THE UK INTENDS TO CONTINUE THE VARIABLE BEEF PREMIUM SYSTEM AND A NEW SCALE OF TARGET PRICES FOR THE MARKETING YEAR BEGINNING MAY 22

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WILL BE PUBLISHED AS SOON AS POSSIBLE BASED ON THE 2.5 PERCENT INCREASE IN THE EC CATTLE GUIDE PRICE AND INTERVENTION PRICE AGREED IN BRUSSELS.

4. SILKIN TOLD THE COMMONS THAT THE COUNCIL'S AGREEMENT TO AIM AT A REDUCTION OF MCA'S ONLY IN THE CONTEXT OF A SATISFACTORY PRICE POLICY AND A MORE SUITABLE RELATIONSHIP BETWEEN COMMUNITY CURRENCIES MEANS IN EFFECT THAT THE PROPOSAL FOR THE AUTOMATIC PHASING OUT OF MCA'S IS A DEAD LETTER.

5. THE IMPACT ON UK FOOD PRICES OF THE BRUSSELS' DECISIONS ALONE WILL BE AN INCREASE IN THE FOOD COMPONENT OF THE RETAIL PRICE INDEX OF 0.5 PERCENT OR OF ONLY ONE-EIGHTH OF ONE PERCENT ON THE TOTAL RETAIL PRICE INDEX (HOWEVER, AN ADDITIONAL 2 PERCENT FOOD PRICE INCREASE WILL DERIVE FROM THE 7.5 PERCENT GREEN POUND DEVALUATION). AFTER ALLOWING FOR INCREASED FOOD COSTS, RETURNS TO THE UK FARMER SHOULD RISE BY BETWEEN 35 MILLION POUNDS AND 40 MILLION POUNDS IN ADDITION TO THE INCREASE ALREADY IN THE PIPELINE OF 150-200 MILLION POUNDS DERIVING FROM THE GREEN POUND DEVALUATION. SILKIN FINISHED HIS STATEMENT

SAYING "THE PACKAGE AS A WHOLE REPRESENTS A FAIR BALANCE
OF INTERESTS AND MAKES A DEFINITE STEP IN THE IMPROVEMENT
OF THE CAP."

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6. OFFICIAL OPPOSITION REACTION TO SILKIN'S STATEMENT
CAME FROM MICHAEL JOPLING WHO OPENED BY WELCOMING THE
REMARKS ABOUT THE FUTURE OF THE MILK MARKETING BOARDS,
CLAIMING THAT THE STRONG FEELINGS VOICED FROM EVERY PART
OF THE HOUSE OF COMMONS OVER THE PAST YEAR HAD GREATLY
STRENGTHENED HIS HAND IN SECURING THEIR PERMANENCE.
JOPLING SAID THAT ANY IRRITATION SILKIN'S STAND IN
BRUSSELS ON THIS MIGHT HAVE CAUSED WOULD HAVE BEEN
MATCHED BY MUCH MORE IRRITATION AND FURY IN THE UK IF HE
HAD FAILED. JOPLING EXPRESSED SOME DISAPPOINTMENT,
HOWEVER, THAT THE OVERALL RISE IN INSTITUTIONAL PRICES
WAS 2.25 PERCENT AND SAID THAT THE OPPOSITION HAD CALLED
FOR AN INCREASE OF NO MORE THAN 1.9 PERCENT. HE ALSO

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EXPRESSED CONCERN THAT THE CUT IN THE PIGMEAT MCA'S OF ABOUT 40 POUNDS PER TON TO 240 POUNDS PER TON ON BACON MERELY BRINGS THEM BACK TO THE LEVEL THEY STOOD AT BEFORE THE 7.5 PERCENT GREEN POUND DEVALUATION. HE PRESSED THE MINISTER TO TAKE FURTHER STEPS TO BRING ABOUT THE REDUCTION OF THE MCA'S.

7. JOPLING ALSO ASKED ABOUT THE FUTURE OF OTHER MARKET-ING BOARDS, PARTICULARLY THOSE DEALING WITH POTATOES AND HOPS. SILKIN'S RESPONSE WAS TO SAY THAT HE FELT THE FIRST PRIORITY WAS TO PRESERVE THE MILK MARKETING BOARDS BUT AGREED THAT THE POSITION OF OTHER BOARDS STILL NEEDED CONSIDERATION. ON JOPLING'S POINT ABOUT THE SETTLEMENT COMING TO 2.25 PERCENT RATHER THAN 1.9 PERCENT, HE POINTED OUT THAT SINCE THE BENELUX COUNTRIES WERE ASKING FOR BIGGER PRICE INCREASES INCLUDING 5.5 PERCENT ON MILK, THE 2.25 PERCENT AGREED ON WAS NOT A TOTALLY DISCREDITABLE SETTLEMENT. SIMILARLY, SILKIN EXPLAINED HOW HE HAD GONE AS FAR AS HE COULD GO ON PIGMEAT MCA'S. SUPPORT FROM FRANCE AND ITALY FOR THEIR REDUCTION PETERED OUT AT THE POINT ARRIVED AT. AND ALTHOUGH HE WAS PRESSING FOR DOUBLE THE INCREASE GAINED UP TO A LATE STAGE IN THE NEGOTIATIONS FRANCE AND ITALY GAVE NO FURTHER SUPPORT AND IT WAS A CASE OF ACCEPTING WHAT WAS OFFERED OR ACCEPTING NOTHING. HE POINTED OUT THAT HE DID GET AN UNDERTAKING THAT THERE WOULD BE A FURTHER EXAMINATION OF THE PIGMEAT PROCESSING CO-EFFICIENTS IN COMING MONTHS. SILKIN AGAIN STRESSED THAT OPPOSITION PRESSURE PROGRESSIVELY TO ELIMINATE ALL MCA'S THROUGHOUT THE COMMUNITY OVER THE NEXT TWO OR THREE YEARS IS NOT ACCEPTABLE BECAUSE OF THE INCREASE OF ABOUT 10 PERCENT IN FOOD PRICES WHICH WOULD RESULT. HE WOULD MUCH RATHER GET THE COMMON PRICE LEVEL DOWN BY ADOPTING THE EUROPEAN UNIT OF ACCOUNT.

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8. ALL OTHER MEMBERS WHO SPOKE IN THE BRIEF EXCHANGES WHICH FOLLOWED ADDED THEIR CONGRATULATIONS ABOUT THE PRESERVATION OF THE MILK BOARDS. SEVERAL MEMBERS, HOWEVER, DID EXPRESS CONCERN ABOUT CONTINUING SURPLUS PRODUCTION OF CERTAIN COMMODITIES WHICH, IT WAS FELT, THE PRICE REVIEW DID NOT GO FAR ENOUGH IN PENALISING. SILKIN POINTED OUT THAT THERE WILL BE A DROP IN REAL TERMS IN THE INCOMES OF MOST COMMUNITY MILK PRODUCERS

AND THAT THE CUT IN THE B QUOTA ON SUGAR WILL HAVE AN EFFECT THERE. THE CEREALS PRICE INCREASE CONFORMS WITH THE COMMISSION'S ORIGINAL PROPOSAL. HE BELIEVED THAT A MOVE HAD BEEN TAKEN ALONG THE ROAD TO CUTTING SURPLUSES BUT "NOT AS FAST AS I PERSONALLY WOULD LIKE."

COMMENT:

9. ALMOST ALL UK REACTION TO THE OUTCOME OF THE FARM PRICE REVIEW MIRRORS THE CURIOUSLY AMBIVALENT PIECE OF THE PERSONALITY AND TACTICS OF JOHN SILKIN. A "TIMES" LEADER ON THE SUBJECT IS HEADED "PLAUDITS FOR THE BAD MAN OF BRUSSELS" AND THE GUARDIAN ARTICLE IS HEADED "THE HOUSEWIVES HERO OR THE BEAST OF BRUSSELS." REACTION FROM THE NATIONAL FARMERS' UNION IS PARTICULARLY ILLUMINATING. IN A RARE OUTBURST OF WARMTH, SIR HENRY PLUMB, PRESIDENT OF THE UNION SAID "I WISH TO PLACE ON RECORD THE NFU'S APPRECIATION ON THIS ISSUE (THE MILK MARKETING BOARDS). I BELIEVE THAT EUROPE AS A WHOLE WILL BENEFIT FROM THE CONTINUED EXISTENCE OF THE BOARDS." YET ON THE TERMS OF THE PRICE REVIEW, SIR HENRY REVERTED TO THE MORE FAMILIAR LANGUAGE WHICH HE NORMALLY USES WHEN TALKING ABOUT SILKIN'S POLICIES SAYING IN THE CONTEXT OF THE GAP BETWEEN UK FARM PRICES AND THOSE ELSEWHERE IN THE COMMUNITY "THE SETTLEMENT HAS DONE NOTHING TO ALLEVIATE THE DAMAGE BEING DONE TO BRITISH AGRICULTURE, AND THIS THE WHOLE BRITISH ECONOMY, BY MASSIVE SUBSIDIES FOR EC FOOD EXPORTS TO BRITAIN."

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10. THE CRUX OF THE MATTER IS THAT BRITAIN'S FARMERS AND

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THOSE SYMPATHETIC TO THEIR CLAIMS FOR HIGHER PRICES WHILE AT THE SAME TIME ENJOYING THE BENEFITS OF PECULIARLY BRITISH INSTITUTIONS SUCH AS THE MILK BOARDS CANNOT HAVE IT ALL WAYS. IT IS NOW BECOMING INCREASINGLY EVIDENT THAT THE VERY TACTICS WHICH THEY SO STRONGLY CRITICISED SILKIN FOR WHEN HE PURSUES AS THEY SEE IT, WITH CRUDE BULLYING TACTICS THE INTERESTS OF BRITISH CONSUMERS IN KEEPING FOOD PRICE INCREASES DOWN ARE THE VERY SAME TACTICS WHICH BRING ABOUT THE PRESERVATION OF INSTITUTIONS WHICH THEY HOLD DEAR SUCH AS THE MILK BOARDS. A LABOUR BACKBENCHER PUT THE MATTER VERY WELL IN THE HOUSE OF COMMONS IN ASKING THE MINISTER "DOES HE AGREE THAT THE POWERS OF THE EC OVER DOMESTIC MATTERS UNCLASSIFIED

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IN THIS COUNTRY DEPEND NO LONGER UPON THIS HOUSE BUT ON THE HAPPY OR UNHAPPY CHANGES OF THE HEALTH AND PERSONALITY OF THE MINISTER OF THE DAY?" INDEED THE WHOLE TONE OF THE PROCEEDINGS ON MAY 12 IN THE COMMONS PROVIDED ONE MORE ILLUSTRATION OF THE THREAD OF BOTH LABOUR AND CONSERVATIVE AGRICULTURAL POLICY WHICH IS TO PRESS VIGOROUSLY FOR LOW INSTITUTIONAL PRICE INCREASES, PREFERABLY NIL ON COMMODITIES IN SURPLUS, WHILE PURSUING NATIONAL ENDS THROUGH THE CONTINUATION OF PECULIARLY BRITISH POLICIES SUCH AS THE CONTINUATION OF MARKETING BOARDS, THE BEEF PREMIUM PAYMENTS SYSTEM, THE CONSUMER BUTTER SUBSIDY AND GREEN CURRENCY MANIPULATION WHERE SUITABLE.

11. THERE IS, FURTHERMORE, A STRENGTHENING OPINION HERE THAT THE RENEWED WEAKNESS OF STERLING AND THE CONTINUING

OVERVALUATION OF THE GREEN POUND ARE NOT NECESSARILY THE
MAJOR CAUSE OF THE CAP'S MONETARY CONFUSION. IT IS NOW
BECOMING RECOGNISED THAT THE FACT OF THE UNIT OF ACCOUNT
BEING TIED TO THE SNAKE CURRENCIES, WITH THE EVER
HARDENING GERMAN MARK IN THE LEAD, IS AT LEAST
CULPABLE, ADDED TO THE FACT THAT GERMANY HAS A STRONG
AND POLITICALLY INFLUENTIAL LOBBY OF INEFFICIENT, HIGH-
COST FARMERS. CONTINUING BRITISH INTRANSIGENCE OVER THE
GREEN POUND NOW LOOKS MORE LIKELY TO ADD GREATER PRESSURE
FOR ABANDONING THE PRESENT AGRICULTURAL UNIT OF ACCOUNT
IN FAVOUR OF THE EUROPEAN UNIT OF ACCOUNT IN ORDER TO
HELP NEUTRALISE THE DISTORTING EFFECT OF THE GERMAN MARK
ON CAP TRANSACTIONS. BREWSTER

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